

**SHELBYVILLE POWER,
WATER, & SEWERAGE SYSTEMS**

**ANNUAL FINANCIAL REPORT
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2015

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
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INTRODUCTORY SECTION

**SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
BOARD OF DIRECTORS AND MANAGEMENT
JUNE 30, 2015**

BOARD OF DIRECTORS

Ervin Miller, Chairman

Bobby Turnbow, Secretary

Claudia Mallard

James Darden

Robert Finney

MANAGEMENT

David Crowell, General Manager

Garrett Gordon, Administrative Manager

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Shelbyville Power, Water, & Sewerage Systems
Shelbyville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Shelbyville Power, Water, & Sewerage Systems of Shelbyville, Tennessee, as of and for the year ended June 30, 2015, and related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shelbyville Power, Water, & Sewerage Systems of the City of Shelbyville, Tennessee, as of June 30, 2015 and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 9 to the financial statements, in 2015, Shelbyville Power, Water, & Sewerage Systems adopted new accounting guidance, *GASB Statement 68, Accounting and Financial Reporting for Pensions and GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Shelbyville Power, Water, & Sewerage Systems, and do not purport to, and do not, present fairly the financial position of the City of Shelbyville, Tennessee, as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A-1 through A-7 and the schedule of funding progress on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelbyville Power, Water, & Sewerage Systems' basic financial statements as a whole. The introductory section, financial schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements.

The financial schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of Shelbyville Power, Water, & Sewerage Systems' internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shelbyville Power, Water, & Sewerage Systems' internal control over financial reporting and compliance.

Honigbader Arthur PLLC

Tullahoma, Tennessee
September 30, 2015

**SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

The Shelbyville Power, Water, & Sewerage Systems (the Systems) is composed of three separate divisions that are financially accounted for on a separate basis. All divisions are reportable to the General Manager. The General Manager reports to a five-member board that is appointed by the Mayor and the City Council of the City of Shelbyville, TN. The following is a discussion and overview of the financial activities of the system for fiscal year ending June 30, 2015 as compared to fiscal year ending June 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Systems' exceeded their liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$75,500,941. Of this amount, \$24,143,773 may be used to meet the Systems' ongoing obligations to suppliers and creditors.
- The Systems' total net position increased by \$2,423,101.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Systems' basic financial statements. This annual report consists of three components: Management's Discussion and Analysis; the Financial Statements; and Notes to the Financial Statements. The notes explain in more detail some of the information in the Financial Statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Overview of the Financial Statements

The financial statements of the Systems' report information about the Systems' using accounting methods similar to those used by private sector companies. These statements offer short-term (current) and long-term (noncurrent) financial information about its activities. The Statement of Net Position includes all of the Systems' assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing operating results, evaluating the capital structure of the Systems' and assessing the liquidity and financial flexibility of the Systems'. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Systems' operations over the past year, and can be used to determine whether the Systems' have successfully recovered its costs through user fees and other charges, and to assess its profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Systems' cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and non-capital financing activities. It also provides information regarding sources of cash, uses of cash, and the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information as listed in the table of contents.

SYSTEM WIDE FINANCIAL ANALYSIS

Statement of Net Position

The statement of net position is very solid. The plant is being well maintained and improved based on needs forecast well into the future. Debt is being conservatively managed with debt service coverage leverage ratios that are more than adequate. Cash reserves are more than adequate for all systems.

**The Systems' Net Position
(as of June 30,)**

	<u>2015</u>	<u>2014 (restated)</u>
Assets:		
Capital assets	\$ 72,552,998	\$ 73,207,244
Current and other assets	<u>37,596,466</u>	<u>35,992,782</u>
Total Assets	110,149,464	109,200,026
 Deferred Outflows of Resources	 <u>959,515</u>	 <u>901,896</u>
 Liabilities:		
Long-term liabilities	29,468,375	31,139,221
Other liabilities	<u>6,110,110</u>	<u>5,884,861</u>
Total liabilities	35,578,485	37,024,082
 Deferred Inflows of Resources	 <u>29,553</u>	 <u>-</u>
 Net position:		
Net investment in capital assets	50,538,371	45,465,179
Restricted	818,797	815,211
Unrestricted	<u>24,143,773</u>	<u>26,797,450</u>
Total net position	<u>\$ 75,500,941</u>	<u>\$ 73,077,840</u>

**SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Power System (restated)

Total assets for the Power System went from \$38,974,726 fiscal year ending June 30, 2014 to \$40,654,301 fiscal year ending June 30, 2015. Current assets increased from \$20,655,002 to \$22,053,856. Plant, net of accumulated depreciation, increased from \$17,941,851 to \$18,187,013. Other assets increased from \$377,873 to \$413,432.

Deferred outflows of resources increased from \$356,520 to \$396,739.

Total power liabilities decreased from \$6,661,616 to \$6,644,355. Current liabilities increased from \$4,194,081 to \$4,356,356. Long-term liabilities decreased from \$2,467,535 to \$2,287,999.

Deferred inflows of resources increased from \$0 to 15,958.

Water System (restated)

Total assets for the water system increased from \$23,094,312 to \$23,206,645. Current assets increased from \$7,141,909 to \$7,335,978. Plant, net of accumulated depreciation, decreased from \$14,963,054 to \$14,878,130.

Deferred outflow of resources decreased from \$380,321 to \$379,100.

Total liabilities decreased from \$4,205,831 to \$3,977,313. Long-term liabilities decreased from \$3,723,350 to \$3,463,705.

Deferred inflows of resources increased from \$0 to \$6,206.

Sewerage System (restated)

Total assets for the sewerage system decreased from \$47,130,988 to \$46,288,518. Current assets decreased from \$6,732,118 to \$6,705,094. Plant, net of accumulated depreciation, increased from \$40,302,339 to \$39,487,855.

Deferred outflows of resources increased from \$165,055 to \$183,676.

Total liabilities decreased from \$26,156,635 to \$24,956,817. Long-term liabilities decreased from \$24,948,336 to \$23,716,671.

Deferred inflows of resources increased from \$0 to \$7,389.

Statement of Revenues, Expenses and Change in Net Position

The statement of revenues, expenses and changes in net position for each of the three divisions indicates healthy financial management and what we think is the appropriate balance between the spending necessary to deliver our services to the customer versus holding costs, and therefore rates, as low as practically possible. We are at or above peer level with respect to margin, efficiency and operating ratios.

**SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

**The Systems' Changes in Net Position
(for the year ended June 30,)**

	<u>2015</u>	<u>2014 (restated)</u>
Operating Revenues:		
Charges for services	\$ 42,225,602	\$ 42,808,699
Other operating revenue	757,324	755,182
Total Operating Revenues	<u>42,982,926</u>	<u>43,563,881</u>
Expenses:		
Purchased power	27,790,852	27,999,785
Operational expenses	6,506,153	10,065,230
Maintenance expenses	2,162,433	2,080,610
Depreciation and amortization	2,996,461	2,343,186
Total Operating Expenses	<u>39,455,899</u>	<u>42,488,811</u>
Operating Income	3,527,027	1,075,070
Nonoperating Revenues (Expenses):		
Interest income	51,138	52,732
Interest expense	(597,665)	(380,392)
Other income (expense)	(2,582)	(3,510)
Total Nonoperating Revenues (Expenses):	<u>(549,109)</u>	<u>(331,170)</u>
Income Before Capital Contributions and Transfers	2,977,918	743,900
Transfer to the City of Shelbyville	(662,666)	(641,158)
Capital contributions - other	107,849	191,219
Change in Net Position	2,423,101	293,961
Net Position, Beginning	73,077,840	72,783,879
Net Position, Ending	<u>\$ 75,500,941</u>	<u>\$ 73,077,840</u>

Power System

Income before capital contributions for the Power System decreased from \$2,897,371 in fiscal year ending 2014 to \$2,383,763 in fiscal year ending 2015. Total operating revenue decreased from \$35,626,403 to \$34,535,639. This is a function of weather and unbilled revenue. Operational and maintenance expenses decreased from \$3,938,652 in 2014 to \$3,508,543 in 2015. Other expense decreased from \$3,510 to \$2,582. Interest expense on customer deposits increased from \$34,467 to \$36,280.

**SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Water System

Income (loss) before capital contributions increased from \$(83,908) to \$272,326. Total operating revenue showed an increase from \$3,942,178 to \$4,162,467. Operational and maintenance expenses decreased from \$3,071,542 to \$2,904,021. Interest expense decreased from \$74,280 to \$70,895.

Sewerage System

Income before capital contributions for the Sewerage System went from \$843,303 in fiscal year ending 2014 to \$321,829 in fiscal year ending 2015. Sewer rates are based on water usage and bill at approximately 135% of the water rate. Operational and maintenance expenses showed an increase from \$2,222,780 to \$2,256,022. Interest expense increased from \$271,645 to \$490,490.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets – The Systems' investment in capital assets as of June 30, 2015 amounts to \$72,552,998 (net of accumulated depreciation). Depreciation charges for the year totaled \$3,048,020.

**The Systems' Capital Assets
(as of June 30,)**

	<u>2015</u>	<u>2014</u>
Land and land rights	\$ 634,862	\$ 634,862
Structures and improvements	41,011,387	41,005,077
Distribution plant	70,152,926	68,975,519
Furniture and fixtures	1,003,021	938,400
Transportation equipment	2,598,619	2,524,121
Equipment	2,069,271	2,030,925
Construction in process	2,869,398	2,246,865
Less: Accumulated depreciation	(47,786,486)	(45,148,525)
	<u>\$ 72,552,998</u>	<u>\$ 73,207,244</u>

The total decrease in the Systems' investment in capital assets for the current fiscal year was \$654,246 (.89%).

Additional information on the Systems' capital assets can be found in Note 3 of this report.

**SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Notes and bonds payable and other obligations – At the end of the current fiscal year, the Systems had total outstanding debt for notes, bonds, and other obligations of \$30,174,900.

**The Systems' Notes and Bonds
and Other Obligations Outstanding
(as of June 30,)**

	<u>2015</u>	<u>2014 (restated)</u>
Bonds payable	\$ 5,185,000	\$ 5,425,000
Less: bond discount	<u>(5,444)</u>	<u>(5,687)</u>
	5,179,556	5,419,313
 Notes payable	 21,745,318	 22,804,426
 Net pension liability	 3,159,210	 3,573,088
Net OPEB obligation	<u>90,816</u>	<u>69,007</u>
 Total outstanding debt	 <u>\$ 30,174,900</u>	 <u>\$ 31,865,834</u>

Power system notes, bonds, and other obligation debt at fiscal year end 2015 was \$1,736,246.

Water system notes, bonds, and other obligation debt was \$3,643,705.

Sewer system notes, bonds, and other obligation debt totaled \$24,794,949.

Additional information on the Systems' outstanding debt can be found in Note 4 of this report.

Rates

Power system rates increased along with TVA rates quarterly during the fiscal year.

Water system rates increased as of January 1, 2010.

Sewer system rates increased as of January 1, 2011.

REQUESTS FOR INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the Systems' finances and to demonstrate the Systems' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the General Manager at Shelbyville Power, Water, & Sewerage Systems, 308 South Main Street, Shelbyville, TN 37160.

FINANCIAL STATEMENTS

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Business-Type Activities			
	Power System	Water System	Sewerage System	Total
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 17,222,891	\$ 6,997,344	\$ 6,397,250	\$ 30,617,485
Accounts receivable, net of allowance for doubtful accounts	3,375,939	216,635	269,054	3,861,628
Unbilled revenue	1,031,685	-	-	1,031,685
Other receivables	77,245	1,538	451	79,234
Inventory	336,165	120,461	28,754	485,380
Other assets	9,931	-	9,585	19,516
Total Current Assets	22,053,856	7,335,978	6,705,094	36,094,928
Restricted Assets:				
Restricted cash and cash equivalents	-	992,537	95,569	1,088,106
Total Restricted Assets	-	992,537	95,569	1,088,106
Capital Assets:				
Plant in service	33,617,361	31,838,008	54,884,115	120,339,484
Less accumulated depreciation	(15,430,348)	(16,959,878)	(15,396,260)	(47,786,486)
Total Capital Assets	18,187,013	14,878,130	39,487,855	72,552,998
Other Assets:				
Energy conservation loans	413,432	-	-	413,432
Total Other Assets	413,432	-	-	413,432
Total Assets	40,654,301	23,206,645	46,288,518	110,149,464
<u>Deferred Outflows of Resources</u>				
Pension	396,739	154,287	183,676	734,702
Deferred amounts from refunding of debt	-	224,813	-	224,813
Total Deferred Outflows of Resources	396,739	379,100	183,676	959,515
<u>Liabilities</u>				
Current Liabilities:				
Accounts payable	2,829,086	54,164	55,582	2,938,832
Notes payable - current portion	-	-	1,077,936	1,077,936
Accrued expenses and other liabilities	20,410	77,404	-	97,814
Accrued interest	-	-	40,208	40,208
Customer deposits	1,506,860	172,731	6,420	1,686,011
Total Current Liabilities	4,356,356	304,299	1,180,146	5,840,801
Liabilities Payable from Restricted Assets:				
Bonds payable - current portion	-	180,000	60,000	240,000
Accrued interest	-	29,309	-	29,309
Total Liabilities Payable from Restricted Assets	-	209,309	60,000	269,309
Long-Term Debt:				
Conservation - TVA Program	413,432	-	-	413,432
Accrued vacation	138,321	-	59,658	197,979
Bonds payable - noncurrent portion, net	-	2,770,000	2,169,556	4,939,556
Notes payable - noncurrent portion, net	-	-	20,667,382	20,667,382
Net pension liability	1,705,974	663,433	789,803	3,159,210
Net OPEB obligation	30,272	30,272	30,272	90,816
Total Long-Term Debt	2,287,999	3,463,705	23,716,671	29,468,375
Total Liabilities	6,644,355	3,977,313	24,956,817	35,578,485
<u>Deferred Inflows of Resources</u>				
Pension	15,958	6,206	7,389	29,553
<u>Net Position</u>				
Net investment in capital assets	18,187,013	14,668,821	17,682,537	50,538,371
Restricted	-	783,228	35,569	818,797
Unrestricted	16,203,714	4,150,177	3,789,882	24,143,773
Total Net Position	\$ 34,390,727	\$ 19,602,226	\$ 21,507,988	\$ 75,500,941

The accompanying notes are an integral part of this financial statement.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
STATEMENT OF REVENUE, EXPENSES AND CHANGES
IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities			
	Power System	Water System	Sewerage System	Total
Operating Revenues:				
Charges for services	\$ 33,895,038	\$ 4,098,774	\$ 4,231,790	\$ 42,225,602
Forfeited discounts and penalties	235,237	35,027	53,030	323,294
Rental income	278,343	-	-	278,343
Other operating revenue	127,021	28,666	-	155,687
Total Operating Revenues	34,535,639	4,162,467	4,284,820	42,982,926
Operating Expense:				
Purchased power	27,790,852	-	-	27,790,852
Operational expenses	2,546,692	2,130,406	1,829,055	6,506,153
Maintenance expenses	961,851	773,615	426,967	2,162,433
Depreciation and amortization	832,380	939,435	1,224,646	2,996,461
Total Operating Expenses	32,131,775	3,843,456	3,480,668	39,455,899
Operating Income	2,403,864	319,011	804,152	3,527,027
Nonoperating Revenues (Expenses):				
Interest income	18,761	24,210	8,167	51,138
Interest expense	(36,280)	(70,895)	(490,490)	(597,665)
Other income (expense)	(2,582)	-	-	(2,582)
Total Nonoperating Revenues (Expenses)	(20,101)	(46,685)	(482,323)	(549,109)
Income Before Capital Contributions and Transfers	2,383,763	272,326	321,829	2,977,918
Transfer to the City of Shelbyville	(662,666)	-	-	(662,666)
Capital Contributions - other	-	61,099	46,750	107,849
Changes in Net Position	1,721,097	333,425	368,579	2,423,101
Total Net Position, Beginning - as Restated	32,669,630	19,268,801	21,139,409	73,077,840
Total Net Position, Ending	<u>\$ 34,390,727</u>	<u>\$ 19,602,226</u>	<u>\$ 21,507,988</u>	<u>\$ 75,500,941</u>

The accompanying notes are an integral part of this financial statement.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities			
	Power System	Water System	Sewerage System	Total
Cash Flows from Operating Activities:				
Cash received from customers	\$ 34,485,549	\$ 4,102,011	\$ 4,151,276	\$ 42,738,836
Cash paid to suppliers	(29,342,565)	(1,574,850)	(1,322,842)	(32,240,257)
Cash paid to employees	(1,972,768)	(1,371,353)	(983,454)	(4,327,575)
Net Cash Provided by Operating Activities	3,170,216	1,155,808	1,844,980	6,171,004
Cash Flows for Capital Financing Activities:				
Capital contributions	-	61,099	46,750	107,849
Other income (expense)	(2,582)	-	-	(2,582)
Acquisition and construction of capital assets	(1,077,541)	(837,651)	(409,494)	(2,324,686)
Principal paid on long-term debt	-	(180,000)	(1,119,108)	(1,299,108)
Interest paid on long-term debt	-	(72,255)	(493,116)	(565,371)
Interest paid on customer deposits	(36,280)	-	-	(36,280)
Net Cash Used by Capital Financing Activities	(1,116,403)	(1,028,807)	(1,974,968)	(4,120,178)
Cash Flows from Non-Capital Financing Activities:				
Increase in customer deposits	55,919	6,218	-	62,137
Issuance of energy conservation loans	(35,559)	-	-	(35,559)
Payments to DREMC for transfer of members	(2,410)	-	-	(2,410)
Transfer to City of Shelbyville	(662,666)	-	-	(662,666)
Advances from TVA - Home Weatherization Program	35,559	-	-	35,559
Net Cash Provided (Used) by Non-Capital Financing Activities	(609,157)	6,218	-	(602,939)
Cash Flows from Investing Activities:				
Interest and other income	18,564	24,091	8,037	50,692
Net Cash Provided by Investing Activities	18,564	24,091	8,037	50,692
Net Increase in Cash and Cash Equivalents	1,463,220	157,310	(121,951)	1,498,579
Cash and Cash Equivalents, Beginning of Year	15,759,671	7,832,571	6,614,770	30,207,012
Cash and Cash Equivalents, End of Year	\$ 17,222,891	\$ 7,989,881	\$ 6,492,819	\$ 31,705,591
Cash and Cash Equivalents consist of:				
Unrestricted cash and cash equivalents	\$ 17,222,891	\$ 6,997,344	\$ 6,397,250	\$ 30,617,485
Restricted cash and cash equivalents	-	992,537	95,569	1,088,106
	\$ 17,222,891	\$ 7,989,881	\$ 6,492,819	\$ 31,705,591
Reconciliation of Operating Income to Net Cash Provided by Operations				
Operating Income	\$ 2,403,864	\$ 319,011	\$ 804,152	\$ 3,527,027
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	832,380	939,435	1,224,646	2,996,461
Provision for bad debts	100,248	20,629	42,003	162,880
Changes in assets and liabilities:				
Accounts receivable	(50,090)	(75,173)	(133,544)	(258,807)
Inventory	13,243	-	(2,720)	10,523
Other assets	1,163	-	-	1,163
Due from other funds	-	14,717	-	14,717
Accounts payable	142,901	27,516	15,646	186,063
Pension liability	(247,757)	(96,349)	(114,701)	(458,807)
Accrued expenses	(25,736)	6,022	9,498	(10,216)
Total adjustments	766,352	836,797	1,040,828	2,643,977
Net cash provided by operating activities	\$ 3,170,216	\$ 1,155,808	\$ 1,844,980	\$ 6,171,004

The accompanying notes are an integral part of this financial statement.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Shelbyville Power, Water, & Sewerage Systems (Systems), of the City of Shelbyville, Tennessee, have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the System's accounting policies are described below:

Reporting Entity

Shelbyville Power, Water, & Sewerage Systems comprises three enterprise funds of the City of Shelbyville, Tennessee. Accordingly, the accompanying financial statements are included in the basic financial statements of the City of Shelbyville. The financial statements of Shelbyville Power, Water & Sewerage Systems encompass the operations of the Shelbyville Power System, the Shelbyville Water System, and the Shelbyville Sewerage System, which operate under a grant of power by Chapter 465 of the Private Acts of Tennessee of 1939 and the Amended Charter of the City of Shelbyville, Tennessee.

Fund Accounting

The Shelbyville Power, Water, & Sewerage Systems, proprietary fund types, account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Basis of Accounting

The Systems financial statements are reported using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for governmental proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish between **operating** and **non-operating** items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with the fund's principal ongoing operations and consist primarily of charges to customers or departments, cost of sales and services, administrative expense and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Systems' policy to use restricted resources first, then unrestricted resources as they are needed.

Net Position

Net position is presented in the following three components:

- Net investment in capital assets - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt is included in the same net assets component as the unspent proceeds.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes petty cash and amounts in demand deposits and money market accounts. Cash in excess of current requirements is invested in various interest-bearing accounts such as certificate of deposits with financial institutions and carried at cost. For purposes of the statement of cash flows all cash deposits and certificates of deposits with an original maturity of three months or less when acquired are considered to be cash equivalents.

Plant and Equipment

Capital assets of the Systems are recorded at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over estimated asset lives ranging from 3 to 50 years. Major additions and betterments are capitalized while expenditures for maintenance and repairs that do not add value to the asset or materially extend asset lives are charged to operations as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest cost incurred due to the issuance of long-term debt during the construction of facilities is capitalized as part of the cost of such activities. There was no capitalized interest during the year ended June 30, 2015.

Inventory

Materials and supplies are stated at the lower of cost or market, with cost being determined on an average cost basis.

Deferred Outflows of Resources

The System reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of statements of net position. The Systems has two items that qualify to be reported in this category. It is the deferred charge on bond refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is a deferred outflow of resources for contributions made to the System's defined benefit pension plans between the measurement date of the net pension liabilities from those plans and the end of the System's fiscal year.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

The System's statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to future periods. Deferred inflows of resources are reported in the System's net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year.

Tennessee Valley Authority (TVA) Energy Conservation Program

Shelbyville Power System is a fiscal intermediary for the TVA energy conservation program whereby loans are made to the System's customers to be used in connection with TVA's Residential Energy Services Program. Pursuant to the terms of an agreement with TVA, the energy conservation loans made to the System's customers are funded and guaranteed by TVA. These loans to customers are recorded as other assets, with the corresponding liability to TVA recorded as long-term debt.

Contributed Capital

The Systems have received federal and state grants to pay a portion of the costs of construction projects. The Water and Sewerage Systems record tap fees in excess of the cost of installation.

Compensated Absences

Accumulated unpaid vacation and sick pay amounts are accrued when benefits vest to employees and an unpaid liability is reflected as compensated absences payable.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System's participation in the Governmental Plan of Central Services Associations (CSA), and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the CSA. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the CSA. Investments are reported at fair value.

Bond Discounts/Issuance Costs

Bond discounts costs are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of bonds payable. Debt issuance costs are recorded as an expense in the period incurred.

Accounts Receivable

Customer utility accounts receivable of the Systems Funds is presented net of an allowance for uncollectible accounts of \$147,348. Bad debt expense for the current year is \$162,881. Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expect to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Systems use the reserve method, based upon a review of the current status of receivables and historical experience, in determining bad debt expense.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unbilled Revenue

The Power System has unbilled revenue of \$1,031,685 as of June 30, 2015. The Water and Sewerage Systems have followed the practice of not recording unbilled revenue. The effect on the financial statements is not material.

Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items.

Date of Management's Subsequent Review

Management has evaluated subsequent events through September 30, 2015, which is the date the financial statements were available to be issued.

NOTE 2 - CASH AND CASH EQUIVALENTS

The System is authorized by policy to invest funds that are not immediately needed in: United States Treasury Bills, Bonds and Notes, The State of Tennessee Local Government Investment Pool, most bonds issued by U.S. Government Agencies, bonds of commercial entities and other investments such as repurchase agreements and commercial paper.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the System's deposits may not be returned to it. As of June 30, 2015, all deposits were collateralized. At June 30, 2015, the carrying amount of the Systems' deposits was \$31,705,591 and the amount of the banks balances was \$33,890,426. Of the banks balances, \$1,500,000 was covered by Federal depository insurance, and \$12,871,031 was collateralized with securities pledged that comply with statutes as acceptable collateral, and \$19,519,396 was collateralized by the banks participation in the Tennessee State Collateral Pool.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 - CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Reclassifications and Retirements	Balance June 30, 2015
Capital assets not being depreciated:				
Land and land rights	\$ 634,862	\$ -	\$ -	\$ 634,862
Construction in process	2,246,865	1,652,830	(1,030,297)	2,869,398
	<u>2,881,727</u>	<u>1,652,830</u>	<u>(1,030,297)</u>	<u>3,504,260</u>
Capital assets being depreciated:				
Structures and improvements	41,005,077	6,310	-	41,011,387
Distribution plant	68,975,519	1,283,590	(106,183)	70,152,926
Furniture and fixtures	938,400	64,621	-	1,003,021
Transportation equipment	2,524,121	313,280	(238,782)	2,598,619
Equipment	2,030,925	58,679	(20,333)	2,069,271
	<u>115,474,042</u>	<u>1,726,480</u>	<u>(365,298)</u>	<u>116,835,224</u>
Less accumulated depreciation:				
Structures and improvements	(6,614,112)	(1,221,636)	-	(7,835,748)
Distribution plant	(33,648,893)	(1,619,504)	150,944	(35,117,453)
Furniture and fixtures	(823,054)	(51,163)	-	(874,217)
Transportation equipment	(2,213,272)	(116,029)	238,782	(2,090,519)
Equipment	(1,849,194)	(39,688)	20,333	(1,868,549)
	<u>(45,148,525)</u>	<u>(3,048,020)</u>	<u>410,059</u>	<u>(47,786,486)</u>
Total capital assets, being depreciated net	<u>70,325,517</u>	<u>(1,321,540)</u>	<u>44,761</u>	<u>69,048,738</u>
Total capital assets, net	<u>\$ 73,207,244</u>	<u>\$ 331,290</u>	<u>\$ (985,536)</u>	<u>\$ 72,552,998</u>

Depreciation expense and amounts charged to construction in process for the year ended June 30, 2015 for the three systems are as follows:

	Total	Charged to Other Accounts	Expense Amount
Power	\$ 861,095	\$ 28,715	\$ 832,380
Water	959,530	36,956	922,574
Sewerage	1,227,395	3,418	1,223,977
	<u>\$ 3,048,020</u>	<u>\$ 69,089</u>	<u>\$ 2,978,931</u>

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - BONDS, NOTES, AND OTHER OBLIGATIONS

The following is a summary of debt transactions for the year ended June 30, 2015:

	<u>Oustanding July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Oustanding June 30, 2015</u>
<u>Bonds Payable:</u>				
Water and Sewer Revenue and Tax Bonds, Series 2007	\$ 2,295,000	\$ -	\$ (60,000)	\$ 2,235,000
Less: bond discount	(5,687)	-	243	(5,444)
	<u>2,289,313</u>	<u>-</u>	<u>(59,757)</u>	<u>2,229,556</u>
Water and Sewer Revenue and Tax Bonds, Series 2011	<u>3,130,000</u>	<u>-</u>	<u>(180,000)</u>	<u>2,950,000</u>
Total Bonds Payable	5,419,313	-	(239,757)	5,179,556
<u>Notes Payable:</u>				
Sewerage System - Tennessee Revolving Loan Fund SRF 2003-172	3,092,983	-	(214,440)	2,878,543
Sewerage System - Tennessee Revolving Loan Fund SRF 07-206	<u>19,711,443</u>	<u>-</u>	<u>(844,668)</u>	<u>18,866,775</u>
Total Notes Payable	22,804,426	-	(1,059,108)	21,745,318
<u>Other Obligations Payable:</u>				
Net Pension Liability:				
Power	1,929,468	-	(223,494)	1,705,974
Water	750,348	-	(86,915)	663,433
Sewer	<u>893,272</u>	<u>-</u>	<u>(103,469)</u>	<u>789,803</u>
	3,573,088	-	(413,878)	3,159,210
Net OPEB Obligation:				
Power	23,002	7,270	-	30,272
Water	23,002	7,270	-	30,272
Sewer	<u>23,003</u>	<u>7,269</u>	<u>-</u>	<u>30,272</u>
	69,007	21,809	-	90,816
Total Bonds, Notes and Other Obligations	<u>\$ 31,865,834</u>	<u>\$ 21,809</u>	<u>\$ (1,712,743)</u>	<u>\$ 30,174,900</u>

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - BONDS, NOTES, AND OTHER OBLIGATIONS (Continued)

Bonds payable as of June 30, 2015:	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Outstanding</u>
Water and Sewer Revenue and Tax Bonds, Series 2007	4 - 4.50%	8/1/2037	\$ 2,600,000	\$ 2,235,000
Water and Sewer Revenue and Tax Bonds, Series 2011	1.25-2.8%	8/1/2028	3,210,000	2,950,000
Notes payable as of June 30, 2015:				
Sewerage System - Tennessee Revolving Loan Fund SRF 2003-172	1.70%	6/30/2037	4,496,263	2,878,543
Sewerage System - Tennessee Revolving Loan Fund SRF 07-206	1.78%	2/1/2034	<u>19,988,683</u>	<u>18,866,775</u>
Total Bonds and Notes Payable				<u>\$ 26,930,318</u>

The bonds are, among other things, secured by the revenues of the Systems. In addition, the Systems have complied with the bond resolution requirements as adopted by the Systems.

Annual debt service requirements for bonds and notes outstanding to maturity are as follows:

	<u>Bonds</u>		<u>Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 240,000	\$ 165,362	\$ 1,077,936	\$ 376,080	\$ 1,317,936	\$ 541,442
2017	245,000	160,224	1,097,112	356,904	1,342,112	517,128
2018	255,000	154,594	1,116,612	337,404	1,371,612	491,998
2019	255,000	148,267	1,136,472	317,544	1,391,472	465,811
2020	270,000	141,499	1,156,680	297,336	1,426,680	438,835
2021-2025	1,450,000	587,337	6,099,300	1,170,780	7,549,300	1,758,117
2026-2030	1,440,000	341,982	5,845,003	628,901	7,285,003	970,883
2031-2035	600,000	165,614	4,216,203	142,190	4,816,203	307,804
2036-2038	430,000	29,701	-	-	430,000	29,701
	<u>\$ 5,185,000</u>	<u>\$ 1,894,580</u>	<u>\$ 21,745,318</u>	<u>\$ 3,627,139</u>	<u>\$ 26,930,318</u>	<u>\$ 5,521,719</u>

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 - PENSION PLAN AND DEFERRED COMPENSATION

The Systems' defined benefit plan, "Shelbyville Power, Water, & Sewerage Systems" provides retirement and death benefits to plan members and beneficiaries. The Systems joined the Central Service Association Pension Plan (CSA), a cost sharing multiple employer defined benefit pension plan for utility systems in 1997. Benefits are determined by a formula using the member's average monthly earnings and years of service. A reduced retirement benefit is available to vested members who are age 55 and have 10 years of service. The CSA issues a publicly available financial report that includes the financial statements and required supplementary information for CSA. That report can be obtained by writing to CSA, P.O. Box 3480, Tupelo, Mississippi 38803-3480.

The Systems are required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by CSA. If a participant becomes totally disabled before termination of employment, he is 100% vested. After completing 5 years of service, an employee is entitled to 100% of his accrued benefit. The plan is available to employees after attaining age 24½ and completing 6 months of service.

"Total Pension Liability" is GASB 68 terminology for Actuarial Accrued Liability calculated according to the Individual Entry Age Normal cost method. This cost attributes the actuarial present value of projected benefit payments to each employee based on a level percentage of compensation basis.

Components of the Net Pension Liability as of October 1, 2014:

Total pension liability	\$ 19,119,923
Plan fiduciary net position	15,960,713
Net pension liability	<u>\$ 3,159,210</u>
Net position as percentage of the total pension liability	83.48%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

Net Pension Liability with a 1% Decrease in Discount Rate: 6.00%	\$ 5,606,558
Net Pension Liability at Current Discount Rate: 7.00%	\$ 3,159,210
Net Pension Liability with a 1% Increase in Discount Rate: 8.00%	\$ 990,162

Under GASB 68 the annual pension expense is intended to recognize certain changes in the Net Pension Liability compared to the previous measurement date. Changes not recorded as pension expense will be recorded and tracked separately as deferred inflows and outflows to be recognized in a future period's pension expense. Changes in the Total Pension Liability due to differences between actual experience and assumptions are recognized over a closed period equal to the future remaining services of the plan participants. Differences between actual and expected investment performance are recognized over a five year period. Any changes due to plan amendment or other benefit changes will be recognized in the year of adoption.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 - PENSION PLAN AND DEFERRED COMPENSATION (Continued)

GASB 68 Annual Pension Expenses:

Service cost	\$ 296,322
Interest on the total pension liability	1,268,528
Differences between expected and actual experience	7,448
Change of assumptions	-
Employee contributions	(112,301)
Projected earnings on pension plan investments	(1,032,367)
Differences between projected and actual earnings on plan investments	(7,388)
Pension plan administrative expense	1,249
Other changes in fiduciary net pension	-
Total pension expense	<u>\$ 421,491</u>

GASB 68 Changes in Net Pension Liability*

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at October 1, 2013	\$ 18,177,875	\$ 14,604,787	\$ 3,573,088
Changes for the year:			
Service cost	296,322	-	296,322
Interest cost	1,268,528	-	1,268,528
Difference between expected and actual experience	81,928	-	81,928
Employer contributions	-	880,296	(880,296)
Employee contributions	-	112,301	(112,301)
Net investment income	-	1,069,308	(1,069,308)
Benefit payments	(704,730)	(704,730)	-
Administrative expense	-	(1,249)	1,249
Other charges	-	-	-
Net changes	<u>942,048</u>	<u>1,355,926</u>	<u>(413,878)</u>
Balance at October 1, 2014	<u>\$ 19,119,923</u>	<u>\$ 15,960,713</u>	<u>\$ 3,159,210</u>

*Intended to satisfy the 6/30/2015 requirement

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 - PENSION PLAN AND DEFERRED COMPENSATION (Continued)

Deferred Outflows and Inflows of Resources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 74,480	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings in pension plan investments	-	(29,553)
Contributions subsequent to the measurement date of October 1, 2014	660,222	-
	<u>\$ 734,702</u>	<u>\$ (29,553)</u>

The Systems employer contributions of \$660,222 reported as pension related deferred outflows of resources subsequent to the measurement date of October 1, 2014 will be recognized as a reduction of net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

FY 2016	\$ 60
FY 2017	\$ 60
FY 2018	\$ 60
FY 2019	\$ 60
FY 2020	\$ 7,448
Thereafter	\$ 37,239

Supplementary Information:

Plan membership as of October 1, 2014

Inactive plan members or beneficiaries currently receiving benefits	41
Inactive members entitled but not yet receiving benefits	15
Active plan members	75
Total	<u>131</u>

Schedule of Employer Contributions

Year	Minimum Contribution	Actual Contribution
2013	\$ 646,112	\$ 880,296

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 - PENSION PLAN AND DEFERRED COMPENSATION (Continued)

Actuarial Assumptions

Measurement date	October 1, 2014
Discount rate*	7.00%
Mortality	RP-2000 Fully Generational with Scale AA
Salary Scale	3.00%
Assumed retirement age	50% at age 62 with 5 years of service and 50% at age 65
Cost of living increase	N/A
Date of participation freeze	N/A

*The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and the employer will continue to contribute the actuarially determined contribution in accordance with the Plan's current funding policy on an annual basis. Based on that assumption, the pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of the return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The Systems also offer employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan was adopted in November 1997. Participation in the plan is optional for employees who may defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The financial statements of the Section 457 plan are not reported in these financial statements since the Systems do not have any administrative involvement nor does it perform the investing function for the plan. The amounts deferred are held in trust for the exclusive benefit of employees and is not accessible by the Systems or their creditors. No employer contributions were made for the year ended June 30, 2015.

NOTE 6 - CONTINGENT LIABILITIES AND COMMITMENTS

Under its power contract, effective as of August 15, 1979, the System is committed to purchase its electric power from the Tennessee Valley Authority. This contract expired in 1999, and an amendment was signed to extend the contract. The amendment continues the contract for a term not less than 5 years, subject to termination by either party, with not less than five years written notice. The rates paid for the power and energy supplied by TVA shall be in accordance with the provisions of the Wholesale Power Rate – Schedule WS.

The Water System and four other water systems in the Upper Duck River area entered into an agreement with the Tennessee Valley Authority (TVA) whereby, commencing February 25, 1972, each water system began paying monthly to TVA five cents (\$.05) for each 1,000 gallons of water sold by it during the preceding month. The funds will go to return the Agencies' portion of the debt incurred to build the Normandy and Columbia reservoirs. Such payments shall be made regardless of the source of water sold and shall continue until a total of \$16,200,000 has been paid to TVA by the group. There has been no division of the total liability between the parties to the contract.

The Systems are party to legal proceedings which normally occur in governmental operations. According to management, any proceeding is unlikely to have a material adverse effect on the Systems, as a whole.

In connection with the Tennessee Valley Authority, the Power System makes loans to individuals wishing to make their homes more energy efficient. The System is required to use the funds, including repayments, in making further loans, or to reduce the advances to the system by TVA.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 - CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

At June 30, 2015, Shelbyville, Power, Water, & Sewerage Systems had several construction projects in process. The Systems take bids for these projects and award construction contracts to various companies.

NOTE 7 - RISK MANAGEMENT

The Systems are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Systems purchase commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Beginning in August 2006, in addition to the pension benefits described in Note 5, the Systems allow employees to continue health insurance between the ages of 62 and 65. The employee will pay the premium except for a small amount contributed by the Systems that will be based on years of service. The Systems will fund the benefits on a pay-as-you-go basis. Payments in the amount of \$2,478 were made during the year ended June 30, 2015.

Plan Description

Shelbyville Power, Water, & Sewerage System sponsors a single-employer post retirement medical plan. The plan provides medical, prescription, and death benefits to eligible retirees and their spouses.

Funding Policy

The System intends to continue its' policy of funding OPEB liabilities on a pay-go basis and to not pre-fund any unfunded annual required contribution as determined under GASB 45.

Annual OPEB Cost and Net OPEB Obligation

The System's annual other post-retirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the System's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the System's net OPEB obligation.

Components of the Net OPEB Obligation:

Annual Required Contribution	\$ 26,118
Interest on Net OPEB Obligation	3,105
Adjustment to Annual Required Contribution	(3,770)
Annual OPEB Cost (Expense)	25,453
Contributions Made	(3,644)
Increase in Net Obligation	<u>\$ 21,809</u>
 Net OPEB Obligation (BOY)	 \$ 69,007
 Net OPEB Obligation (EOY)	 \$ 90,816

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

The System's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014-2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 25,453	14.3%	\$ 90,816
6/30/2014	\$ 17,657	23.6%	\$ 69,007
6/30/2013	\$ 17,791	20.5%	\$ 55,521
6/30/2012	\$ 17,474	25.4%	\$ 41,373
6/30/2011	\$ 19,491	25.1%	\$ 28,333
6/30/2010	\$ 19,821	39.4%	\$ 13,739
6/30/2009	\$ 19,843	91.3%	\$ 1,724

Funded Status and Funding Progress

On July 1, 2014 the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$223,922 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$223,922. The covered payroll (annual payroll of active employees covered by the plan) was \$3,930,560 and the ratio of the UAAL to the covered payroll was 5.70%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by the decrements to an ultimate rate of 5% after three years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement of plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2014 was 30 years.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

During 2015, the Systems implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions Liabilities*. This statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This pension standard includes significant changes on how governmental employers report liabilities related to pension obligations. As such, the opening fund balances have been adjusted to this change as follows:

	<u>Water System</u>	<u>Water System</u>	<u>Sewerage System</u>
Net position, beginning of the year, as previously presented	\$ 34,242,578	\$ 19,880,503	\$21,867,625
Implementation of GASB Statement 68 To reduce net position for amount of net pension liability as of July 1, 2014.	<u>(1,572,948)</u>	<u>(611,702)</u>	<u>(728,216)</u>
Net position, beginning of year, as restated	<u>\$ 32,669,630</u>	<u>\$ 19,268,801</u>	<u>\$21,139,409</u>

During 2015, the Systems implemented GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement 71 is a one page amendment to GASB Statement 68.

REQUIRED SUPPLEMENTAL INFORMATION

**SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
SELECTED PENSION INFORMATION**

SCHEDULE OF FUNDING PROGRESS - CSA Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Underfunded) AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
October 1, 2014	\$ 15,255,594	\$ 19,119,923	\$ (3,864,329)	79.79%	\$ 3,913,791	98.74%
October 1, 2013	13,738,411	18,177,875	(4,439,464)	75.58%	3,756,660	118.18%
October 1, 2012	12,426,972	16,898,499	(4,471,527)	73.54%	3,651,682	122.45%
October 1, 2011	11,610,515	15,813,338	(4,202,823)	73.42%	3,452,370	121.74%
October 1, 2010	11,077,162	15,155,093	(4,077,931)	73.09%	3,445,010	118.37%

SCHEDULE OF FUNDING PROGRESS - Other Post Employment Retirement Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Underfunded) AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
July 1, 2014	\$ -	\$ 223,922	\$ (223,922)	0.00%	\$ 3,930,560	5.70%
July 1, 2013	-	152,076	(152,076)	0.00%	3,816,719	3.98%
July 1, 2012	-	152,076	(152,076)	0.00%	3,790,091	4.01%
July 1, 2011	-	152,076	(152,076)	0.00%	3,608,384	4.21%
July 1, 2010	-	158,132	(158,132)	0.00%	3,397,441	4.65%

OTHER INFORMATION

SCHEDULES

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
SCHEDULE OF ADDITIONS AND RETIREMENTS TO UTILITY PLANT
FOR THE YEAR ENDED JUNE 30, 2015

SHELBYVILLE POWER, WATER & SEWERAGE SYSTEM
SUMMARY OF FIXED ASSETS - COMBINED SYSTEMS

DESCRIPTION	COST			ACCUMULATED DEPRECIATION				
	July 1, 2014	Additions	Disposals	June 30, 2015	July 1, 2014	Depreciation	Disposals	Salvage
Land and land rights	\$ 634,862	\$ -	\$ -	\$ 634,862	\$ -	\$ -	\$ -	\$ -
Structures and improvements	41,005,077	6,310	-	41,011,387	6,614,112	1,221,636	-	-
Distribution plant	68,975,519	1,283,590	(106,183)	70,152,926	33,648,893	1,619,504	(150,944)	-
Furniture and fixtures	938,400	64,621	-	1,003,021	823,054	51,163	-	-
Transportation equipment	2,524,121	313,280	(238,782)	2,598,619	2,213,272	116,029	(238,782)	-
Equipment	2,030,925	58,679	(20,333)	2,069,271	1,849,194	39,688	(20,333)	-
Construction in process	2,246,865	1,652,830	(1,030,297)	2,869,398	-	-	-	-
	<u>\$ 118,355,769</u>	<u>\$ 3,379,310</u>	<u>\$ (1,395,595)</u>	<u>\$ 120,339,484</u>	<u>\$ 45,148,525</u>	<u>\$ 3,048,020</u>	<u>\$ (410,059)</u>	<u>\$ -</u>
								<u>\$ 47,786,486</u>

See accompanying accountants' report.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
SCHEDULE OF ADDITIONS AND RETIREMENTS TO UTILITY PLANT
FOR THE YEAR ENDED JUNE 30, 2015

	COST					ACCUMULATED DEPRECIATION				
	July 1, 2014	Additions	Disposals	June 30, 2015		July 1, 2014	Depreciation	Disposals	Salvage	June 30, 2015
POWER SYSTEM:										
Land and land rights	\$ 277,359	\$ -	\$ -	\$ 277,359		\$ -	\$ -	\$ -	\$ -	\$ -
Structures and improvements	1,303,745	-	-	1,303,745		665,903	30,469	-	-	696,372
Distribution plant	27,373,979	655,606	(61,749)	27,967,836		11,512,204	771,782	(101,355)	-	12,182,631
Furniture and fixtures	741,436	56,263	-	797,699		756,723	40,976	-	-	797,699
GIS Mapping	75,238	-	-	75,238		-	-	-	-	-
Transportation equipment	1,648,583	214,901	(165,173)	1,698,311		1,479,002	13,227	(165,173)	-	1,327,056
Tools, shop, and garage equipment	272,360	10,642	(17,333)	265,669		272,362	4,641	(17,333)	-	259,670
Laboratory equipment	6,312	8,930	-	15,242		6,312	-	-	-	6,312
Communications equipment	106,469	22,308	-	128,777		106,468	-	-	-	106,468
Miscellaneous equipment	59,536	-	-	59,536		54,140	-	-	-	54,140
Construction in process	929,948	708,892	(610,891)	1,027,949		-	-	-	-	-
Total	\$ 32,794,965	\$ 1,677,542	\$ (855,146)	\$ 33,617,361		\$ 14,853,114	\$ 861,095	\$ (283,861)	\$ -	\$ 15,430,348

	COST					ACCUMULATED DEPRECIATION				
	July 1, 2014	Additions	Disposals	June 30, 2015		July 1, 2014	Depreciation	Disposals	Salvage	June 30, 2015
WATER SYSTEM:										
Land and land rights	\$ 323,925	\$ -	\$ -	\$ 323,925		\$ -	\$ -	\$ -	\$ -	\$ -
Structures and improvements	14,441,193	-	-	14,441,193		5,293,656	433,236	-	-	5,726,892
Purification system	477,202	-	-	477,202		179,539	19,088	-	-	198,627
Distribution plant	9,285,590	-	-	9,285,590		7,530,246	278,568	-	-	7,808,814
Consumer services	1,961,462	25,055	-	1,986,517		1,211,800	78,774	-	-	1,290,574
Meters	1,615,324	272,892	(33,989)	1,854,227		300,734	62,122	(33,990)	-	228,866
Hydrants	643,004	23,859	-	666,863		324,208	13,286	-	-	337,494
Furniture and fixtures	96,582	5,313	-	101,895		35,065	5,041	-	-	40,106
Transportation equipment	316,027	85,444	(39,067)	362,404		227,669	36,956	(39,067)	-	225,558
Lab equipment	46,872	-	-	46,872		14,803	-	-	-	14,803
Work equipment	1,170,654	16,799	-	1,187,453		1,042,810	32,459	-	-	1,075,269
Communication equipment	12,875	-	-	12,875		12,875	-	-	-	12,875
Construction in process	645,749	486,939	(41,696)	1,090,992		-	-	-	-	-
Total	\$ 31,036,459	\$ 916,301	\$ (114,752)	\$ 31,838,008		\$ 16,073,405	\$ 959,530	\$ (71,057)	\$ -	\$ 16,959,878

	COST					ACCUMULATED DEPRECIATION				
	July 1, 2014	Additions	Disposals	June 30, 2015		July 1, 2014	Depreciation	Disposals	Salvage	June 30, 2015
SEWERAGE SYSTEM:										
Land and land rights	\$ 33,578	\$ -	\$ -	\$ 33,578		\$ -	\$ -	\$ -	\$ -	\$ -
Structures and improvements	25,260,139	6,310	-	25,266,449		654,553	757,931	-	-	1,412,484
Electrical pumping equipment	6,172,832	4,481	-	6,177,313		6,172,831	-	-	-	6,172,831
Distribution plant	21,370,888	301,697	(10,445)	21,662,140		6,517,331	395,884	(15,599)	-	6,897,616
Furniture and fixtures	100,382	3,045	-	103,427		31,266	5,146	-	-	36,412
Transportation equipment	559,511	12,935	(34,542)	537,904		506,601	65,846	(34,542)	-	537,905
Tools and work equipment	310,905	-	(1,000)	307,905		309,043	1,862	(3,000)	-	307,905
Communications equipment	8,658	-	-	8,658		8,658	-	-	-	8,658
Miscellaneous equipment	36,284	-	-	36,284		21,723	726	-	-	22,449
Construction in process	671,168	456,999	(377,710)	750,457		-	-	-	-	-
Total	\$ 54,524,345	\$ 785,467	\$ (425,697)	\$ 54,884,115		\$ 14,222,006	\$ 1,227,395	\$ (53,141)	\$ -	\$ 15,396,260

See accompanying accountants' report.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
SCHEDULE OF DEBT SERVICE REQUIREMENTS - NOTES PAYABLE
SEWERAGE SYSTEMS
FOR THE YEAR ENDED JUNE 30, 2015

Year	Sewerage System - Tennessee Revolving Loan Fund Capital Outlay Note SRF 2003-172				Sewerage System - Tennessee Revolving Loan Fund Capital Outlay Note SRF 07-206				Total			
	Principal	Interest	Total		Principal	Interest	Total		Principal	Interest	Total	
2016	\$ 218,112	\$ 47,244	\$ 265,356	\$ 859,824	\$ 328,836	\$ 1,188,660	\$ 1,077,936	\$ 376,080	\$ 1,454,016			
2017	221,856	43,500	265,356	875,256	313,404	1,188,660	1,097,112	356,904	1,454,016			
2018	225,648	39,708	265,356	890,964	297,696	1,188,660	1,116,612	337,404	1,454,016			
2019	229,524	35,832	265,356	906,948	281,712	1,188,660	1,136,472	317,544	1,454,016			
2020	233,448	31,908	265,356	923,232	265,428	1,188,660	1,156,680	297,336	1,454,016			
2021	237,444	27,912	265,356	939,792	248,868	1,188,660	1,177,236	276,780	1,454,016			
2022	241,524	23,832	265,356	956,664	231,996	1,188,660	1,198,188	255,828	1,454,016			
2023	245,652	19,704	265,356	973,824	214,836	1,188,660	1,219,476	234,540	1,454,016			
2024	249,864	15,492	265,356	991,296	197,364	1,188,660	1,241,160	212,856	1,454,016			
2025	254,148	11,208	265,356	1,009,092	179,568	1,188,660	1,263,240	190,776	1,454,016			
2026	258,504	6,852	265,356	1,027,200	161,460	1,188,660	1,285,704	168,312	1,454,016			
2027	262,819	2,429	265,248	1,045,632	143,028	1,188,660	1,308,451	145,457	1,453,908			
2028	-	-	-	1,064,400	124,260	1,188,660	1,064,400	124,260	1,188,660			
2029	-	-	-	1,083,504	105,156	1,188,660	1,083,504	105,156	1,188,660			
2030	-	-	-	1,102,944	85,716	1,188,660	1,102,944	85,716	1,188,660			
2031	-	-	-	1,122,744	65,916	1,188,660	1,122,744	65,916	1,188,660			
2032	-	-	-	1,142,892	45,768	1,188,660	1,142,892	45,768	1,188,660			
2033	-	-	-	1,163,400	25,260	1,188,660	1,163,400	25,260	1,188,660			
2034	-	-	-	688,149	5,236	693,385	688,149	5,236	693,385			
2035	-	-	-	99,018	10	99,028	99,018	10	99,028			
	\$ 2,878,543	\$ 305,621	\$ 3,184,164	\$ 18,866,775	\$ 3,321,518	\$ 22,188,293	\$ 21,745,318	\$ 3,627,139	\$ 25,372,457			

See accompanying accountants' report.

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
SCHEDULE OF DEBT SERVICE REQUIREMENTS - BONDS PAYABLE
WATER AND SEWERAGE SYSTEMS
FOR THE YEAR ENDED JUNE 30, 2015

Year	Water and Sewer Revenue and Tax Bonds Series 2007				Water and Sewer Revenue and Tax Bonds Series 2011				Total			
	Principal	Interest	Total		Principal	Interest	Total		Principal	Interest	Total	
2016	\$ 60,000	\$ 95,807	\$ 155,807	\$	\$ 180,000	\$ 69,555	\$ 249,555	\$	\$ 240,000	\$ 165,362	\$ 405,362	\$
2017	60,000	93,407	153,407		185,000	66,817	251,817		245,000	160,224	405,224	
2018	65,000	90,826	155,826		190,000	63,768	253,768		255,000	154,594	409,594	
2019	65,000	88,062	153,062		190,000	60,205	250,205		255,000	148,267	403,267	
2020	70,000	85,194	155,194		200,000	56,305	256,305		270,000	141,499	411,499	
2021	75,000	82,114	157,114		200,000	52,105	252,105		275,000	134,219	409,219	
2022	75,000	78,926	153,926		205,000	47,445	252,445		280,000	126,371	406,371	
2023	80,000	75,632	155,632		210,000	42,360	252,360		290,000	117,992	407,992	
2024	85,000	72,126	157,126		215,000	36,940	251,940		300,000	109,066	409,066	
2025	85,000	68,514	153,514		220,000	31,175	251,175		305,000	99,689	404,689	
2026	90,000	64,794	154,794		230,000	24,985	254,985		320,000	89,779	409,779	
2027	95,000	60,863	155,863		235,000	18,357	253,357		330,000	79,220	409,220	
2028	95,000	56,827	151,827		240,000	11,350	251,350		335,000	68,177	403,177	
2029	100,000	52,683	152,683		250,000	3,875	253,875		350,000	56,558	406,558	
2030	105,000	48,248	153,248		-	-	-		105,000	48,248	153,248	
2031	110,000	43,518	153,518		-	-	-		110,000	43,518	153,518	
2032	115,000	38,568	153,568		-	-	-		115,000	38,568	153,568	
2033	120,000	33,368	153,368		-	-	-		120,000	33,368	153,368	
2034	125,000	27,917	152,917		-	-	-		125,000	27,917	152,917	
2035	130,000	22,243	152,243		-	-	-		130,000	22,243	152,243	
2036	135,000	16,313	151,313		-	-	-		135,000	16,313	151,313	
2037	145,000	10,013	155,013		-	-	-		145,000	10,013	155,013	
2038	150,000	3,375	153,375		-	-	-		150,000	3,375	153,375	
	<u>\$ 2,235,000</u>	<u>\$ 1,309,338</u>	<u>\$ 3,544,338</u>		<u>\$ 2,950,000</u>	<u>\$ 585,242</u>	<u>\$ 3,535,242</u>		<u>\$ 5,185,000</u>	<u>\$ 1,894,580</u>	<u>\$ 7,079,580</u>	

See accompanying accountants' report.

STATISTICAL INFORMATION

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
JUNE 30, 2015

Unaudited – See Accompanying Accountants' Report

POWER SYSTEM:

SCHEDULE FOR RESIDENTIAL RATES

CUSTOMER CHARGE	\$10.61
ENERGY CHARGE	\$0.09491 per KWH
FIRST 1000 KWH PER MONTH	\$105.52

SCHEDULE FOR COMMERCIAL RATES

SCHEDULES GSA (LESS THAN 50 KW)

IF CUSTOMER'S CURRENTLY EFFECTIVE CONTRACT DEMAND, IF ANY, OR ITS HIGHEST BILLING DEMAND DURING THE LATEST 12-MONTH PERIOD IS NOT MORE THAN 50 KW AND THE CUSTOMER'S MONTHLY ENERGY TAKINGS FOR ANY MONTH DURING SUCH PERIOD DO NOT EXCEED, 15,000 KILOWATT HOURS:

CUSTOMER CHARGE	\$15.77
ENERGY CHARGE	\$0.10540 per KWH

SCHEDULE FOR COMMERCIAL/INDUSTRIAL RATES

SCHEDULES GSA (FROM 50 KW TO 1000 KW)

IF CUSTOMER'S CURRENTLY EFFECTIVE CONTRACT DEMAND, IF ANY, OR ITS HIGHEST BILLING DEMAND DURING THE LATEST 12-MONTH PERIOD IS GREATER THAN 50 KW BUT NOT MORE THAN 1000 KW AND THE CUSTOMER'S MONTHLY ENERGY TAKINGS FOR ANY MONTH DURING SUCH PERIOD EXCEED 15,000 KILOWATT HOURS:

CUSTOMER CHARGE	\$46.20
DEMAND CHARGE:	
FIRST 50 KW PER MONTH	NO CHARGE
OVER 50 KW PER MONTH	\$13.14 per KW
ENERGY CHARGE:	
FIRST 15,000 KWH PER MONTH	\$0.10688 per KWH
OVER 15,000 KWH PER MONTH	\$0.06340 per KWH

COMMERCIAL/INDUSTRIAL RATES

GSA3 (Greater than 1000 KW Contract or Highest 12 Month Measured KW greater than 1000 KW but Measured KW for month is less than 1000 KW)

CUSTOMER CHARGE	\$163.67
DEMAND CHARGE	
FIRST 1000 KW	\$11.94 per KW
OVER 1000 KW	\$12.05 per KW
ENERGY CHARGE	
ALL KWH	\$0.06682 per KWH

**SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
JUNE 30, 2015**

Unaudited – See Accompanying Accountants' Report

POWER SYSTEM (Continued):

**GSA3 (Greater than 1000 KW Contract or Highest 12 Month Measured KW greater than 1000 KW but Measured KW for month is greater than 1000 KW)
(Must be eligible for Small Manufacturing Credit)**

CUSTOMER CHARGE	\$163.67
DEMAND CHARGE	
FIRST 1000 KW	\$10.56 per KW
OVER 1000 KW	\$10.42 per KW
ENERGY CHARGE	
ALL KWH	\$0.06142 per KWH

MSB (Greater than 5000 KW Contract or Highest 12 Month Measured KW greater than 5000 and SIC is 20-39 but Measured KW for month is less than 5000 KW)

Manufacture Rates

CUSTOMER CHARGE	\$1,850.00
DEMAND CHARGE	
ALL KW	On-Peak \$17.24 per KW Off-Peak \$ 4.14 per KW
ENERGY CHARGE	
FIRST 425 KWH/KW	On-Peak (all KWH) \$0.08218 per KWH Off-Peak (first 425 hours) \$0.04606 per KWH (Example 425 * KW compared to measured KWH)
NEXT 195 KWH/KW	Off-Peak \$0.02641
ADDITIONAL KWH	Off-Peak \$0.00973

Facilities Rental (Delivery Point less than 46 KV)	\$0.93 per KW
Equipment Rental	1.5% of Installed Cost per month

SMSB (Greater than 5000 KW Contract or Highest 12 Month Measured KW greater than 5000 KW and SIC is 20-39 but Measured KW for month is less than 5000 KW)

Manufacture Rates

CUSTOMER CHARGE	\$1,850.00
DEMAND CHARGE	
ALL KW	\$19.65 per KW
ENERGY CHARGE	
ALL KWH	\$0.04047 per KWH
Facilities Rental (Delivery Point less than 46 KV)	\$0.93 per KW
Equipment Rental	1.5% of Installed Cost per month

SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
SCHEDULE OF UTILITY RATES IN FORCE AND AVERAGE NUMBER OF CUSTOMERS
JUNE 30, 2015

Unaudited – See Accompanying Accountants' Report

POWER SYSTEM (Continued):

SECURITY LIGHTS

175 WATT M.V.	\$7.66
400 WATT M.V. (Flood or Cobra head)	\$14.30
200 WATT HPS	\$10.03
250 WATT HPS	\$12.07
100 WATT HPS	\$6.89

WATER SYSTEM:

RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL:

	<u>Inside City</u>	<u>Outside City</u>
First 1,500 gallons	\$11.40 (Minimum Bill)	\$15.20 (Minimum Bill)
Next 8,500 gallons	\$ 4.30 per 1,000 gal	\$ 6.00 per 1,000 gal
Next 10,000 gallons	\$ 2.75 per 1,000 gal	\$ 3.85 per 1,000 gal
Next 30,000 gallons	\$ 2.40 per 1,000 gal	\$ 3.30 per 1,000 gal
Next 50,000 gallons	\$ 2.15 per 1,000 gal	\$ 3.00 per 1,000 gal
All over 100,000 gallons	\$ 2.05 per 1,000 gal	\$ 2.65 per 1,000 gal

SEWERAGE SYSTEM:

	<u>Inside City</u>	<u>Outside City</u>
First 1,500 gallons	\$16.70 (Minimum Bill)	\$21.50 (Minimum Bill)
Next 8,500 gallons	\$ 7.40 per 1,000 gal	\$ 9.55 per 1,000 gal
Next 10,000 gallons	\$ 5.75 per 1,000 gal	\$ 7.00 per 1,000 gal
Next 30,000 gallons	\$ 5.10 per 1,000 gal	\$ 6.15 per 1,000 gal
Next 50,000 gallons	\$ 4.75 per 1,000 gal	\$ 5.75 per 1,000 gal
All over 100,000 gallons	\$ 4.40 per 1,000 gal	\$ 5.50 per 1,000 gal

Average number of customers for fiscal year 2015:

Power System	9,950
Water System	8,897
Sewerage System	8,079

AWWA Free Water Audit Software
Reporting Worksheet

VIAS v5.0
American Water Works Association
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Click to access definition
Click to add a comment

Water Audit Report for: **Shelbyville Power, Water & Sewerage System**
Reporting Year: **2015** **7/2014 - 6/2015**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources: 1,431.918 MG/Yr
Water Imported: MG/Yr
Water exported: MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: 2.00% ☒ ☐ Value: MG/Yr
☐ ☐ MG/Yr
☐ ☐ MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: **1,403.841** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: 1,064.953 MG/Yr
Billed unmetered: MG/Yr
Unbilled metered: 47.568 MG/Yr
Unbilled unmetered: 38.675 MG/Yr
Unbilled Unmetered volume entered is greater than the recommended default value

AUTHORIZED CONSUMPTION: **1,151.196** MG/Yr

Click here: for help using option buttons below

Pcnt: ☐ ☒ Value: MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

252.645 MG/Yr

Apparent Losses

Unauthorized consumption: 3.510 MG/Yr
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed
Customer metering inaccuracies: 34.408 MG/Yr
Systematic data handling errors: 2.662 MG/Yr
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed
Apparent Losses: **40.580** MG/Yr

Pcnt: ☒ ☐ Value: MG/Yr

☐ 3.00% ☒ ☐ MG/Yr
☐ 0.25% ☒ ☐ MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **212.065** MG/Yr

WATER LOSSES: **252.645** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **338.888** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: 202.0 miles
Number of active AND inactive service connections: 9,271
Service connection density: 46 conn./mile main

Are customer meters typically located at the curbstop or property line?

Average length of customer service line: 27.0 ft (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average operating pressure: 74.0 psi

COST DATA

Total annual cost of operating water system: \$3,843,456 \$/Year
Customer retail unit cost (applied to Apparent Losses): \$3.61 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): \$2,684.13 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 83 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors

WAS v5.0
American Water Works Association
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AWWA Free Water Audit Software System Attributes and Performance Indicators

Water Audit Report for: **Shelbyville Power, Water & Sewerage System**
 Reporting Year: **2015** **7/2014 - 6/2015**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 83 out of 100 ***

System Attributes:

Apparent Losses:	40.580	MG/Yr
+ Real Losses:	212.065	MG/Yr
= Water Losses:	252.645	MG/Yr

Unavoidable Annual Real Losses (UARL): 76.68 MG/Yr

Annual cost of Apparent Losses: \$146,493

Annual cost of Real Losses: \$569,211 Valued at Variable Production Cost
 Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	24.1%	
		Non-revenue water as percent by cost of operating system:	24.6%	Real Losses valued at Variable Production Cost

Operational Efficiency:	{	Apparent Losses per service connection per day:	11.99	gallons/connection/day
		Real Losses per service connection per day:	62.67	gallons/connection/day
		Real Losses per length of main per day*:	N/A	
		Real Losses per service connection per day per psi pressure:	0.85	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 212.07 million gallons/year

Infrastructure Leakage Index (ILI) (CARL/UARL): 2.77

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**SHELBYVILLE POWER, WATER, & SEWERAGE SYSTEMS
SCHEDULE OF OFFICIALS AND BONDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Official</u>	<u>Name</u>	<u>Bond amount</u>
All Board Members	Each Member	\$ 5,000
General Manager	David Crowell	\$250,000
Administrative Manager	Garrett Gordon	\$250,000

INTERNAL CONTROL AND COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Shelbyville Power, Water, & Sewerage Systems
Shelbyville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Shelbyville Power, Water, & Sewerage Systems, as of and for the year ended June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shelbyville Power, Water, & Sewerage Systems' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shelbyville Power, Water, & Sewerage Systems' internal control. Accordingly, we do not express an opinion on the effectiveness of Shelbyville Power, Water, & Sewerage Systems' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelbyville Power, Water, & Sewerage Systems' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Hensholder Atkins PLLC". The script is cursive and fluid, with the letters "H", "A", and "P" being particularly prominent.

Tullahoma, Tennessee
September 30, 2015